First Look Note | 3Q26

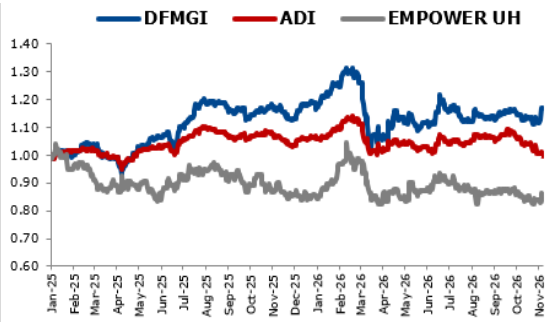
UAE Equity Research | Sector: Utilities | Market: DFM

Emirates Central Cooling Systems Corporation (EMPOWER)

Steady revenue growth offset by higher costs, weighing on profitability

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.57	AED 2.25	+43.8%	BUY

- Total connected capacity reached 1.74 Mn RT in 3Q26, with c. 84K RT addition in 9M26 and further expects to add 16-26K RT in 4Q26.
- Maintained its 2026 guidance for adding 100–110K RT of connected capacity.
- Signed a new concession agreement with Binghatti Developers for 37K RT at Binghatti City in 3Q26.
- Contracted capacity reached 2.06 Mn RT, supported by 94 new agreements adding approximately 110K RT during 9M26.
- Paid an interim dividend of AED 437.5 Mn, equivalent to 8.75 fils per share in October 2026 for 1H26.
- Refinanced existing RCF and extended the maturity to Oct'28.



Stock Information	
Market Cap (AED, Mn)	15,750.00
Paid Up Capital (Mn)	1,000.00
52 Week High	1.96
52 Week Low	1.48
3M Avg. daily value (AED)	4,105,003

3Q26 Result Review (AED, Mn)	
Total Assets	12,711
Total Liabilities	9,326
Total Equity	3,384
EBITDA	459
Net Profit	292

Financial Ratios	
Dividend Yield (12m)	5.59
Dividend Pay-out (%)	88.09
Price-Earnings Ratio(x)	14.75
Price-to-Book Ratio (x)	4.94
Book Value (AED)	0.32
Return-on Equity (%)	32.20

Stock Performance	
5 Days	1.61%
1 Months	2.94%
3 Months	0.32%
6 Months	-0.94%
1 Year	-0.32%
Month to Date (MTD%)	3.28%
Quarter to Date (QTD%)	0.64%
Year to Date (YTD%)	2.27%

3Q26 Net Profit in line with our estimates

Empower Group's (EMPOWER/the Company) net profit increased 3.1% YOY to AED 292 Mn in 3Q26, in line with our estimate of AED 301 Mn. The growth was primarily supported by higher revenue, increased finance income and lower finance costs, partially offset by higher direct costs, increased G&A expenses and lower other income.

P&L Highlights

EMPOWER's revenue increased 4.7% YOY to AED 1,186 Mn in 3Q26, supported by continued expansion in the connected customer base. It was also supported by growth in revenue from consumption charge and others. Consumption volume rose 5.2% YOY to 1,226 Mn Refrigeration Ton Hours (RTh) in 3Q26 in turn driving the consumption revenue. Interest income on financial assets at amortised cost declined 1.5% YOY to AED 14 Mn in 3Q26. Direct costs increased 6.5% YOY to AED 782 Mn in 3Q26 mainly due to increase in utilities cost, D&A expenses, staff cost and others. Thus, gross profit grew 1.4% YOY to AED 419 Mn in 3Q26. However, gross profit margin contracted by 116 bps YOY to 35.3% in 3Q26. G&A expenses increased 7.8% YOY to AED 67 Mn in 3Q26, while other income declined to AED 4 Mn in 3Q26 from AED 6 Mn in 3Q25. The increase in G&A expenses was partly attributable to higher staff and administrative costs, along with depreciation related to the Company's headquarters and associated assets. EBITDA rose 2.0% YOY to AED 459 Mn in 3Q26, while EBITDA margin contracted by 104 bps YOY to 38.7% in 3Q26. Operating profit declined marginally by 0.3% YOY to AED 356 Mn in 3Q26, with operating margin declining to 30.0% in 3Q26 from 31.5% in 3Q25. Finance income rose 27.6% YOY to AED 20 Mn in 3Q26, while finance costs declined 9.5% YOY to AED 52 Mn. Tax expenses increased 3.1% YOY to AED 29 Mn in 3Q26, while profit attributable to non-controlling interests declined to AED 2 Mn from AED 3 Mn in 3Q25.

Balance Sheet Highlights

Net debt stood at approximately AED 2.66 Bn in 3Q26, with net debt to LTM EBITDA declining to 1.6x. In October 2026, the Company refinanced its existing revolving credit facility in October 2027 and February 2028 to October 2028. EMPOWER's net cash flow from operating activities increased 1.6% YOY to AED 469 Mn in 3Q26 from AED 461 Mn in 3Q25, while calculated free cash flow increased from AED 270 Mn in 3Q25 to AED 330 Mn in 3Q26.

Target Price and Rating

We maintain our BUY rating on EMPOWER with a target price of AED 2.25. Empower reported revenue and EBITDA growth in 3Q26, supported by continued expansion in its connected customer base, despite regional geopolitical uncertainties. Regional geopolitical uncertainties had a limited effect on the Company's cooling consumption revenue, mainly due to subdued customer activity across certain sectors, particularly hospitality. Operationally, EMPOWER continued to execute its long-term growth strategy, with connected capacity reaching 1.74 Mn RT and contracted capacity increasing to 2.06 Mn RT as of September 2026, supported by the addition of approximately 84K RT of connected capacity and 110K RT of contracted capacity since December 2025. Management expects to add another 16-26K RT of connected capacity in 4Q26, taking total connected capacity to 1.76-1.77 Mn RT by the end of 2026, while maintaining its full-year connected guidance of 100-110K RT. The Company signed 94 new agreements during 9M26, further strengthening its contracted customer base and future revenue visibility. EMPOWER maintained a healthy leverage profile, with net debt declining to AED 2.66 Bn in 3Q26 from AED 2.9 Bn in 2Q26, while net debt to LTM EBITDA improved to 1.6x in 3Q26 from 1.8x in 2Q26. Gross borrowing principal remained stable at AED 5.50 Bn. Subsequent to the quarter, the Company refinanced its AED 5.5 Bn revolving credit facilities in October 2026, extending their maturity to October 2028 and revising the applicable financing margins, thereby reducing near-term refinancing risk and providing additional financial flexibility. Management highlighted its medium-term objective of reducing net debt to LTM EBITDA below 2.0x, while maintaining a target leverage range of 3.0–4.0x to support potential inorganic growth opportunities. EMPOWER also strengthened its expansion pipeline through agreements to supply 15.2K RT to City Walk Phase 3 and approximately 37K RT to Mercedes-Benz Places, Binghatti City, supporting future capacity additions and customer growth. The Company maintained its shareholder distribution commitment, with an interim dividend of AED 437.5 Mn for 1H26 paid in October 2026, bringing total dividends paid during calendar year 2026 to AED 875 Mn, equivalent to 8.75 fils per share. Overall, EMPOWER remains well positioned to benefit from its expanding connected and contracted capacity base, supported by long-term customer agreements, continued infrastructure investment and recurring district cooling demand. Thus, based on our analysis, we assign a BUY rating on EMPOWER.

Empower - Relative valuation

(at CMP)	2022	2023	2024	2025	2026F
PE (x)	15.5	16.3	17.3	15.6	14.5
PB (x)	5.1	4.9	4.8	4.7	4.4
EV/EBITDA	13.5	13.4	12.6	11.8	11.0
EPS	0.100	0.095	0.090	0.099	0.107
BVPS	0.303	0.314	0.320	0.331	0.350
Dividend	0.043	0.085	0.086	0.088	0.088
Dividend yield	2.7%	5.4%	5.5%	5.6%	5.6%

FABS Estimates & Co Data, the company got listed in Nov 2022, so prior period financials are not available

Empower – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	1,133	889	1,186	1,171	1.3%	4.7%	33.5%	3,419	3,564	4.2%
Interest inc on financial asset	15	14	14	15	-5.7%	-1.5%	1.1%	58	59	1.5%
Direct costs	-734	-522	-782	-756	3.4%	6.5%	49.8%	-1,989	-2,059	3.5%
Gross profit	**413**	**381**	**419**	**430**	**-2.7%**	**1.4%**	**9.9%**	**1,488**	**1,564**	**5.1%**
G&A expenses	-63	-70	-67	-65	4.3%	7.8%	-3.1%	-256	-283	10.4%
Net impair. loss on fin assets	0	0	0	0	NM	NM	NM	16	17	2.9%
Other income	6	7	4	6	-32.6%	-33.9%	-36.4%	24	27	8.7%
EBITDA	**450**	**415**	**459**	**469**	**-2.1%**	**2.0%**	**10.6%**	**1,649**	**1,668**	**1.1%**
EBIT	**357**	**318**	**356**	**372**	**-4.4%**	**-0.3%**	**11.8%**	**1,273**	**1,324**	**4.0%**
Finance Income	16	16	20	12	NM	27.6%	26.2%	55	69	25.4%
Finance costs	-58	-49	-52	-49	6.1%	-9.5%	6.4%	-225	-203	-9.5%
Profit before NCI	**315**	**285**	**324**	**335**	**-3.3%**	**2.8%**	**13.5%**	**1,103**	**1,190**	**7.8%**
Tax	-28	-26	-29	-30	-2.9%	3.1%	14.5%	-99	-107	7.8%
Non-controlling int.	3	3	2	3	-24.3%	-32.1%	-22.6%	11	11	7.8%
Net Profit	**283**	**256**	**292**	**301**	**-3.1%**	**3.1%**	**13.9%**	**993**	**1,071**	**7.8%**

FABS estimate & Co Data

Empower - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	Change
Gross profit	36.5%	42.9%	35.3%	-116	-758	43.5%	43.9%	35
EBITDA	39.7%	46.7%	38.7%	-104	-802	48.2%	46.8%	-143
EBIT	31.5%	35.8%	30.0%	-153	-582	37.2%	37.1%	-7
Net profit	25.0%	28.9%	24.6%	-38	-424	29.0%	30.1%	101

FABS estimate & Co Data

Key Developments

- **21 July 2026 -** EMPOWER awarded the contract to construct a new 23,400 RT district cooling plant in Al Sufouh 2, with commissioning expected in 3Q27. The plant will incorporate advanced Thermal Energy Storage and Treated Sewage Effluent technologies to improve energy and water efficiency, expand the company's cooling capacity and support rising demand from mixed-use developments while advancing Dubai's sustainability objectives.
- **13 July 2026 -** EMPOWER signed an agreement with Binghatti Developers to supply 37,000 RT of district cooling capacity to the Mercedes-Benz Places - Binghatti City project in Meydan. The project expands the connected capacity, strengthens its portfolio of landmark developments, and supports long-term recurring revenue while reinforcing its leadership position in Dubai's premium real estate market.
- **29 June 2026 -** EMPOWER signed a strategic MoU with international organisations and industry leaders during the 117th IDEA Conference to accelerate the global adoption of district cooling through knowledge sharing, innovation, and policy collaboration. The agreement strengthens the Company's global leadership in district cooling, expands opportunities for international partnerships and reinforces its role in advancing sustainable urban energy solutions.
- **2 June 2026 -** EMPOWER inaugurated an advanced Command Control Centre integrating AI, IoT, big data analytics and SCADA systems to monitor and manage its district cooling network across Dubai with 99.99% network reliability. The centre enhances operational collaboration supports Dubai's sustainability goals by delivering energy-efficient cooling solutions to the luxury mixed-use development featuring global hotel brands MGM, Bellagio and Aria.

Valuation:

We used Discounted Free Cash Flow (DCF), Discounted Dividend Method (DDM), and Relative Valuation (RV) to value Empower. We have assigned 70% weight to DCF, 20% weight to RV, and 10% weight to DDM.

Valuation Method	Target	Weight	Weighted Value
DCF Method	2.49	70.0%	1.75
Relative Valuation (Avg of EV/EBITDA & P/E)	1.73	20.0%	0.35
DDM	1.57	10.0%	0.16
Weighted Average Valuation (AED)			**2.25**
Current market price (AED)			1.57
Upside/Downside (%)			+43.8%

1) DCF Method:

Empower is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 7.9%. It is arrived at after using a cost of equity of 9.3% and an after-tax cost of debt of 3.8%, with an equity weight of 73.7% and debt of 26.3%. Cost of equity is calculated by using a 10-year government bond yield of 5.5%, a beta of 0.95 and an equity risk premium of 4.1%. The government bond yield is calculated after adding the Dubai 10-year spread to the 10-year US risk free rate. The cost of debt of 4.2% is adjusted for a tax rate of 9.0% to arrive at an after-tax cost of debt of 3.8%. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (AED, Mn)	6,617
Terminal value (AED, Mn)	21,185
Firm Value (AED, Mn)	**27,803**
Net Debt as of Sep 2026 (AED, Mn)	2,663
Non-controlling int as of Sep 2026 (AED, Mn)	193
Equity Value to Share Holders (AED Mn)	**24,947**
No. of share (Mn)	10,000
Current Market Price (AED)	1.57
Fair Value per share (AED)	**2.49**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
NOPAT	1,205	1,302	1,397	1,504	1,605	1,687
Depreciation & amortization	387	403	419	435	449	462
CAPEX	-499	-481	-473	-450	-416	-320
Working Capital	80	154	145	143	143	-42
Free Cash Flow to Firm (FCFF)	**1,172**	**1,378**	**1,488**	**1,632**	**1,781**	**1,787**
Discounting Factor	0.99	0.92	0.85	0.79	*0.73*	0.68
Discounted FCFF	**290[1]**	**1,264**	**1,266**	**1,287**	**1,301**	**1,210**

Source: FAB Securities, [1]Adjusted for partial year

2) DDM Method:

Empower has a track record of consistently paying substantial dividends, highlighting its solid financial performance and dedication to rewarding shareholder confidence. The Company pays half-yearly dividends to its shareholders. Empower distributed dividends of AED 850 Mn and AED 863 Mn annually in 2023 and 2024, respectively, with a payout ratio of 89.2% and 96.2%. Under the new Progressive Dividend Framework, Empower is expected to pay a dividend of AED 875 Mn annually in 2025 and 2026. In line with this policy, EMPOWER declared a dividend of AED 875 Mn in 2025 and is expected to pay a dividend of AED 875 Mn in 2026.

Sum of PV (AED, Mn)	4,681
Terminal value (AED, Mn)	10,987
FV to Common shareholders (AED Mn)	**16,080**
No. of share (Mn)	10,000
Current Market Price (AED)	1.57
Fair Value per share (AED)	**1.57**

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend Paid	438	950	1,050	1,150	1,250	1,250
Total Dividend	**438**	**950**	**1,050**	**1,150**	**1,250**	**1,250**
Discounting Factor	0.99	0.90	0.83	0.76	*0.69*	0.63
Present Value of Dividend	**432**	**858**	**868**	**869**	**864**	**790**

Source: FAB Securities

3) Relative Valuation:

We have used local and international peers to value Emirates Central Cooling Systems Corporation PJSC, and it is valued using the average of the EV/EBITDA and P/E multiples. It is valued at a 2027 EV/EBITDA multiple of 11.7x and a P/E multiple of 15.3x, in line with its peers.

Company	Market Cap (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Essential Utilities, Inc.	12,807	15.7	14.3	20.1	19.2
National Central Cooling Company PJSC	1,704	11.0	10.6	13.2	11.0
Exelon Corporation	47,854	10.5	9.7	16.1	15.3
Dubai Electricity and Water Authority	37,027	9.9	9.4	16.3	15.3
Qatar Electricity and Water Company QPSC	4,275	18.6	17.9	11.7	11.0
American Water Works Company	29,792	14.8	12.8	24.6	22.7
Shenzhen Envicool Technology Co., Ltd.	7,425	46.4	27.6	56.7	31.7
Beijing Jingneng Thermal Co., Ltd.	376	NA	NA	NA	NA
Average		**15.8**	**12.8**	**19.9**	**15.8**
Median		**12.9**	**11.7**	**16.2**	**15.3**
Max		**16.4**	**15.2**	**21.3**	**20.1**
Min		**10.3**	**9.6**	**12.9**	**11.0**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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